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## Canada

### Agricultural Situation

## This Week in Canadian Agriculture, Issue 31 2003

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**Report Highlights:**

Highest Ever Cattle Inventory \* Electricity Blackout Hampers Ontario Agriculture \* Hot And Dry Weather Advances Saskatchewan Harvest \* Soil Moisture Conditions Deteriorating In Alberta \* Yields Variable In Manitoba \* Ontario Wheat Harvest Delayed \* Ontario Initiates Talks On Establishing National Dairy Export Plan \* Canada Claims Win At NAFTA Panel Ruling On Softwood Lumber Countervailing Duties \* Plywood Prices Go "Through The Roof"

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Ottawa [CA1]  
[CA]

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

*Disclaimer:* Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

**HIGHEST EVER CATTLE INVENTORY:** Canada's cattle inventory reached 15.7 million head on July 1, 2003 the highest level on record. The development is the result of the closure of international borders to Canadian cattle and beef on May 20, 2003 following the discovery of a single case of bovine spongiform encephalopathy (BSE) in an Alberta cow. The subsequent collapse of the Canadian cattle marketing structure disrupted the normal flow of cattle through the production chain which was exacerbated by the loss of the U.S. market to Canadian live slaughter cattle. Last year, Canada exported, on average, more than 30,000 slaughter cattle per week to U.S. packers. Surprisingly, the record 15.7 million head inventory was only 2% above last year's level at that time due mostly to a 5.3% decline in Alberta numbers where, prior to the BSE incident, the effects of two years of drought, tight feed supplies, and higher feed prices had already significantly reduced herd size in Canada's most important cattle producing province.

**ELECTRICITY BLACKOUT HAMPERS ONTARIO AGRICULTURE:** The August 19 edition of *Good Morning Ontario* reported that it's not business as usual for several areas of farming and food production in the wake of the massive power outage in Ontario. For example, companies are heeding the advice to conserve electricity to help avoid rotating blackouts. Wes Thompson, president of W.G. Thompson and Sons, says his company put its Ontario facilities on "stand down" on Monday. "To us, that means only running essential services that we would define as running electric motors to keep fans going to keep bins in shape or servicing farmers," says Thompson. Thompson says the company's facilities are not processing as part of the conservation effort. Elsewhere, business is starting to return to normal for the dairy industry. Wes Lane, communications director for the Dairy Farmers of Ontario, says milk processing and farm pickups have resumed. Lane says many major plants were not processing on Friday because of the power outage, which caused some challenges for producers. "We did have trucks that were backed up at plants. We didn't get all of the milk picked up on Friday that we normally would and we ended up having to dump some milk." Lane can't say how much was dumped as they're still receiving the collection reports. The organization says compensation for any dumped milk will be addressed at a later date.

**HOT AND DRY WEATHER ADVANCES SASKATCHEWAN HARVEST:** Hot and dry weather rapidly advanced harvest operations to 13% of the 2003 crop, up from the five year (1998-2002) average of seven percent combined, according to Saskatchewan Agriculture, Food, and Rural Revitalization's August 17 crop report. Harvest operations are furthest along in the southwest where 22% of the crop has been combined, followed by the southeast where 16% of the crop is off. The winter wheat crop is 88% combined, fall rye is 86% combined, peas are 63% combined, and lentils are 46% combined. Insects, heat, and drought stress were the main sources of crop damage during the past week. Some south eastern and several western areas of the province received hail with damage estimates ranging up to 100%. Topsoil moisture conditions on crop, hay, and pasture land continue to deteriorate. Over 60% of reporters rate topsoil moisture on cropland as very poor. Pasture growth has been severely curtailed and some livestock owners are providing supplemental feed to their stock.

**SOIL MOISTURE CONDITIONS DETERIORATING IN ALBERTA:** The August 14 Alberta Crop Report indicates that precipitation has been extremely variable. In all regions, crop Conditions vary significantly due to the localized nature of rainfall that may have occurred. Hot conditions in the last half of July hastened maturity of crops and contributed to crop deterioration in dry areas. Damage from hail has been reported in all regions. Provincially, surface moisture is rated as 50% poor, 31% fair, 15% good, and 4% excellent. Rating of sub-surface moisture is 53% poor, 35% fair, 11% good, and 1% excellent. In general, annual crops are performing better than perennial forage crops, many of which are still suffering from last year's dry conditions. Generally, spring cereals are fully headed out and in the early to soft dough stage. Canola and dry peas are in the pod-fill stage. There are concerns that hot weather has downgraded yield potential on all crops, especially canola, barley, and oats. Harvest has started in southern Alberta on early seeded crops. Provincially, spring wheat condition is rated as 14% poor, 36% fair, 44% good, and 6% excellent. Canola is rated as 16% poor, 38% fair, 41% good, and 5% excellent. Dry pea condition is reported as 8% poor, 36% fair, 52% good, and 4% excellent. Crops grown on irrigation are generally rated in good to excellent condition. Grasshoppers are causing significant damage in many areas of the province. Provincially, grasshopper levels are rated as 22% none, 26% few, 25% moderate, and 27% exceeding the threshold. Lygus bugs are present in some southern Alberta canola fields.

**MANITOBA CROP CONDITIONS:** According to Manitoba Agriculture, dated August 15, yields appear to be quite variable across Manitoba, very good in some central and eastern areas, poor in others. Eastern areas of the province received more precipitation than most other areas, and good or at least average yields are anticipated for spring-seeded crops, below average for hay. There appears to have been some premature ripening of cereals and some heat-blasting of canola and corn in the rest of the province, with the most severe damage in the SouthWest, NorthWest and northern Interlake. The northern Interlake has extremely poor hay and pasture and expects a severe shortage of winter feed supplies. According to Manitoba regional crop reports, winter wheat yields are 30-80 bushels per acre (bu/ac) in the SouthWest Region (SW), 45-70bu in Central Region (CR), 40-70bu in Eastern Region (ER), some with a bit more fusarium than in spring wheat. Spring wheat yields are 30-40 bu in the SW with good quality, 30-45 in NW, 45-60 in CR with low fusarium and high protein, mainly on traditional varieties, which contrasts with the yield damage that fusarium has caused in recent years. Oats: As much as 110bu/ac reported in CR, with good bushel wheats. Barley: 75-85 in CR, with good bushel weight. Canola: much swathed, little combined yet; some heat-blasting and premature ripening in the SW. Corn: In the ER, corn is tasseling and beginning to form cobs. The SW reports that drought burned off some corn crops before tasseling. Field Peas: Much of the crop combined, yields, about 30bu/ac (20-40) in SW

**ONTARIO WHEAT HARVEST DELAYED:** The August 14 *Good Morning Ontario* reported that Ontario's wheat harvest is incurring some delays. Peter Johnson with the Ontario Ministry of Agriculture and Food (OMAF) said that the weather over the past ten days to two weeks has been anything but helpful, extending the harvest to critical levels for certain varieties. "It's been 10 days since some farmers have moved a wheel," says Johnson. "I should be (saying) that we are 90% harvested on wheat, if not more (but) I don't think we've made 60% yet." In terms of soft whites versus hard and soft reds, Johnson says the latter varieties are faring a bit better but that everything is suffering in one way or another. "There's lots of mildew showing up, the soft white is all sprouted; pretty much most of it's now feed wheat," reports Johnson. Test weights are also coming in lighter, while mildew is downgrading some grade twos down to threes. That, he says, hasn't happened since 1990. On the red wheat side, the situation is better, but could still present problems with limited sprouting and mildew conditions, especially if the wet, humid weather continues.

**ONTARIO INITIATES TALKS ON ESTABLISHING NATIONAL DAIRY EXPORT PLAN:** The August 12 *Ontario Farmer* reported that Ontario Deputy Minister of Agriculture, Frank Ingratta, extended invitations to all other provincial agricultural deputy ministers to discuss setting up a Canada-wide dairy export program. The invitation is in response to Ontario Agriculture Minister Helen Johns' recent July ruling against an Ontario tribunal ruling that would have exempted dairy farmers producing only for the export market from holding quota. Johns stated in her decision her desire to have a national dairy export program that would co-exist with the current supply management regime. Industry observers noted that the meeting reflects a quick move by the Ontario agriculture ministry to fulfill the directions set out in Johns' letter.

**CANADA CLAIMS WIN AT NAFTA PANEL RULING ON SOFTWOOD LUMBER COUNTERVAILING DUTIES:** According to the Canadian Department of Foreign Affairs and International Trade (DFAIT), on August 13, a North American Free Trade Agreement (NAFTA) dispute settlement panel ruled that the United States' application of countervailing duties on Canadian softwood lumber was contrary to U.S. law. The NAFTA panel found in favor of Canada, requiring the U.S. Department of Commerce to correct their determination within 60 days. According to DFAIT, the U.S. failed to prove that provincial stumpage programs provided a benefit to Canada's softwood lumber industry and therefore failed to prove that there was a subsidy. *Comments: Canadian industry reaction to the ruling was hopeful, given that the ruling was only a partial victory for Canada. It is hoped that once the Panel ruling is implemented, U.S. duties on Canadian softwood lumber will be lowered.*

**PLYWOOD PRICES GO "THROUGH THE ROOF":** The August 18 *Globe and Mail* reported that news that the U.S. government has made plywood purchases to support the war effort in Iraq have sent prices soaring to near record highs, a move that analysts say is already having ripple effects in the Canadian timber market. Mike Dawson, an assistant editor at Random Lengths, a Eugene, Oregon, said that the order for the U.S. military is one of the largest such orders in the past decade and that it has occurred at a time when supplies have already been constrained by strong seasonal demand and by mill shutdowns in the southern United States. As a result, buyers are having to pay a near record price of US\$420 for a thousand square feet of plywood, an increase from \$384 last week and \$260 a year ago. "We haven't seen anything like this in the past 10 years," Dawson said. Analysts say plywood is in such short supply that many U.S. buyers are looking north of the border to Canada. Riverside Forest Products Ltd., one of Canada's largest plywood producers, said U.S. shipments, which remain unaffected by duties on softwood lumber, have surged nearly 50% in the past three weeks. "According to the guys I talk to, the phones are going crazy for Canadian plywood," said Laurie Cater, publisher of Madison's Canadian Lumber Directory, a Vancouver newsletter that tracks wood prices.

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